

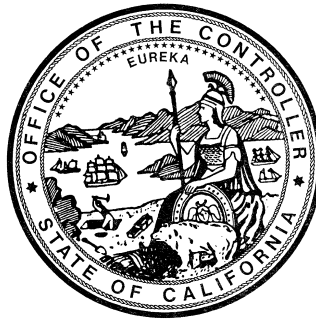
MONTEREY COUNTY

Revised Audit Report

HANDICAPPED AND DISABLED STUDENTS PROGRAM

Chapter 1747, Statutes of 1984,
and Chapter 1274, Statutes of 1985

July 1, 2000, through June 30, 2002



STEVE WESTLY
California State Controller

December 2006



STEVE WESTLY
California State Controller

December 20, 2006

The Honorable Michael J. Miller
Auditor-Controller
Monterey County
P.O. Box 390
Salinas, CA 93902

Dear Mr. Miller:

The State Controller's Office audited the claims filed by Monterey County for costs of the legislatively mandated Handicapped and Disabled Students Program (Chapter 1747, Statutes of 1984, and Chapter 1274, Statutes of 1985) for the period of July 1, 2000, through June 30, 2002. This final report supersedes the original final report issued January 5, 2005.

We are reissuing the report to increase allowable costs by \$113,960 as a result of the Commission on State Mandates (COSM) adopting *Parameters and Guidelines* for the Handicapped and Disabled Students II Program. This program was adopted subsequent to our issuing the original final report. Under the newly adopted program guidelines, medication support costs are reimbursable beginning in fiscal year 2001-02.

The county claimed \$6,165,696 (\$6,166,696 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$4,015,882 is allowable and \$2,149,814 is unallowable. The unallowable costs occurred because the county claimed ineligible costs and understated revenues. The State will pay allowable costs claimed, totaling \$4,015,882, contingent upon available appropriations.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at COSM's Web site at www.csm.ca.gov (Guidebook link), and obtain IRC forms by telephone at (916) 323-3562 or by e-mail at csminfo@csm.ca.gov.

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/jj:vb

cc: Wayne Clark, Ph.D., Director
Behavioral Health Division
Monterey County Department of Health
Carolyn E. Stewart, Finance Manager
Behavioral Health Division
Monterey County Department of Health
Todd Jerue, Program Budget Manager
Corrections and General Government
Department of Finance

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Revised Audit Report

Summary

The State Controller's Office (SCO) audited the claims filed by Monterey County for costs of the legislatively mandated Handicapped and Disabled Students Program (Chapter 1747, Statutes of 1984, and Chapter 1274, Statutes of 1985) for the period of July 1, 2000, through June 30, 2002. The last day of fieldwork was December 9, 2005.

The county claimed \$6,165,696 (\$6,166,696 less a \$1,000 penalty for filing a late claim) for the mandated program. The audit disclosed that \$4,015,882 is allowable and \$2,149,814 is unallowable. The unallowable costs occurred because the county claimed ineligible costs and understated revenues. The State will pay allowable costs, totaling \$4,015,882, contingent upon available appropriations.

Background

Chapter 26 of the *Government Code*, commencing with Section 7570, and *Welfare and Institutions Code* Section 5651 (added and amended by Chapter 1747, Statutes of 1984, and Chapter 1274, Statutes of 1985) require counties to participate in the mental health assessment for "individuals with exceptional needs," participate on the expanded Individualized Education Program (IEP) team, and provide case management services for "individuals with exceptional needs" who are designated as "seriously emotionally disturbed." These requirements impose a new program or higher level of service on counties.

On April 26, 1990, the Commission on State Mandates (COSM) determined that Chapter 1747, Statutes of 1984, resulted in state-mandated costs that are reimbursable pursuant to *Government Code* Section 17561.

Parameters and Guidelines establishes the state mandate and defines reimbursement criteria. COSM adopted *Parameters and Guidelines* on August 22, 1991 (last amended on August 29, 1996). In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs to assist local agencies in claiming reimbursable costs.

Parameters and Guidelines states that only 10% of mental health treatment costs are reimbursable. However, on September 30, 2002, Assembly Bill 2781 (Chapter 1167, Statutes of 2002) changed the regulatory criteria by stating that the percentage of treatment costs claimed by counties for fiscal year (FY) 2000-01 and prior fiscal years is not subject to dispute by the SCO. Furthermore, this legislation states that, for claims filed in FY 2001-02 and thereafter, counties are not required to provide any share of these costs or to fund the cost of any part of these services with money received from the Local Revenue Fund established by *Welfare and Institutions Code* Section 17600 et seq. (realignment funds). Furthermore, Senate Bill 1895 (Chapter 493, Statutes of 2004) states that realignment funds used by counties for the Handicapped and Disabled Students Program "are eligible for reimbursement from the state for all allowable costs to fund assessments, psychotherapy, and other mental health services . . ." and that the finding by the Legislature is "declaratory of existing law." (Emphasis added.)

On May 26, 2005, the COSM adopted a *Statement of Decision* for the Handicapped and Disabled Students II Program that incorporates the above legislation and further identified medication support as a reimbursable costs effective July 1, 2001. The COSM adopted the *Parameters and Guidelines* for this new program on December 9, 2005, and made technical corrections to it on July 21, 2006. *Parameters and Guidelines* for the Handicapped and Disabled Students II Program states that “Some costs disallowed by the State Controller’s Office in prior years are now reimbursable beginning July 1, 2001 (e.g., medication monitoring). Rather than claimants re-filing claims for those costs incurred beginning July 1, 2001, the State Controller’s Office will reissue the audit reports.” Consequently, this report excludes any adjustments for medication support costs commencing July 1, 2001.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Handicapped and Disabled Students Program for the period of July 1, 2000, through June 30, 2002.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, not funded by another source, and not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Section 17558.5. We did not audit the county’s financial statements. Our scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance concerning the allowability of expenditures claimed for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the county’s internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

The audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Revised Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, Monterey County claimed \$6,165,696 (\$6,166,696 less a \$1,000 penalty for filing a late claim) for Handicapped and Disabled Students Program costs. The audit disclosed that \$4,015,882 is allowable and \$2,149,814 is unallowable.

For FY 2000-01, the county was not paid by the State. The audit disclosed that \$2,162,422 is allowable. That amount will be paid by the State based on available appropriations.

For FY 2001-02, the county was not paid by the State. The audit disclosed that \$1,853,160 is allowable. That amount will be paid by the State based on available appropriations.

**Views of
Responsible
Officials**

We issued a draft audit report on October 5, 2004. Wayne Clark, Ph.D., Director of Behavioral Health, Monterey County Department of Health, responded by letter dated December 2, 2004, in which he disagreed with Finding 1 in the draft report, and agreed with the remaining findings. The county's response is included as an attachment to this audit report.

Subsequent to issuance of our final report dated January 5, 2005, the COSM adopted *Parameters and Guidelines* for the Handicapped and Disabled Students II Program. Under the newly adopted program guidelines, medication support costs are reimbursable beginning in FY 2001-02. This change impacts Finding 1, increasing allowable costs by \$113,960. On October 5, 2006, we provided to Dr. Clark a worksheet that detailed the adjustments, asked for his concurrence, and informed him that we will reissue the final report. He did not respond to the adjustments.

Restricted Use

This report is solely for the information and use of Monterey County, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

Revised Schedule 1— Summary of Program Costs July 1, 2000, through June 30, 2002

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2000, through June 30, 2001</u>				
Assessment and case management costs	\$ 905,638	\$ 905,638	\$ —	
Administrative costs	45,226	45,226	—	
Less offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	(199,171)	(199,171)	—	
Net assessment and case management costs	751,693	751,693	—	
Treatment costs	3,304,430	3,066,407	(238,023)	Findings 1, 2
Administrative costs	121,859	114,578	(7,281)	Finding 1
Less offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	(644,958)	(886,413)	(241,455)	Findings 1, 2, 3
EPSDT funds	—	(744,648)	(744,648)	Finding 4
State categorical funds	(138,195)	(138,195)	—	
Net treatment costs	2,643,136	1,411,729	(1,231,407)	
Subtotal	3,394,829	2,163,422	(1,231,407)	
Less late claim penalty	(1,000)	(1,000)	—	
Total program costs	<u>\$ 3,393,829</u>	2,162,422	<u>\$(1,231,407)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 2,162,422</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Assessment and case management costs	\$ 423,628	\$ 410,729	\$ (12,899)	Finding 2
Administrative costs	35,432	34,682	(750)	Finding 2
Less offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	(94,292)	(91,432)	2,860	Finding 2
Net assessment and case management costs	364,768	353,979	(10,789)	
Treatment costs	3,234,770	2,752,761	(482,009)	Findings 1, 2
Administrative costs	120,274	115,583	(4,691)	Findings 1, 2
Offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	(809,750)	(701,249)	108,501	Findings 1, 2, 3
EPSDT funds	—	(529,419)	(529,419)	Finding 4
State categorical funds	(138,195)	(138,195)	—	
Net treatment costs	2,407,099	1,499,481	(907,618)	
Total program costs	<u>\$ 2,771,867</u>	1,853,460	<u>\$(918,407)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,853,460</u>		

Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>Summary: July 1, 2000, through June 30, 2002</u>				
Assessment and case management costs	\$ 1,329,266	\$ 1,316,367	\$ (12,899)	Finding 2
Administrative costs	80,658	79,908	(750)	Finding 2
Less offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	(293,463)	(290,603)	2,860	Finding 2
Net assessment and case management costs	1,116,461	1,105,672	(10,789)	
Treatment costs	6,539,200	5,819,168	(720,032)	Findings 1, 2
Administrative costs	242,133	230,161	(11,972)	Findings 1, 2
Less offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	(1,454,708)	(1,587,662)	(132,954)	Findings 1, 2, 3
EPSDT funds	—	(1,274,067)	(1,274,067)	Finding 4
State categorical funds	(276,390)	(276,390)	—	
Net treatment costs	5,050,235	2,911,210	(2,139,025)	
Subtotal	6,166,696	4,016,882	(2,149,814)	
Less late claim penalty	(1,000)	(1,000)	—	
Total program costs	<u>\$ 6,165,696</u>	4,015,882	<u>\$(2,149,814)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 4,015,882</u>		

¹ See the Revised Findings and Recommendations section.

Revised Findings and Recommendations

FINDING 1— Ineligible treatment costs

The county claimed various treatment costs that are ineligible, totaling \$755,908 for the audit period. The county claimed costs for medication monitoring and crisis intervention that are not reimbursable under program guidelines. Also, the county claimed the cost of services related to substance abuse that were reimbursed under a grant to the county Probation Department. In addition, the county claimed costs for therapeutic behavioral services. These services are required as a result of a federal court ruling rather than as a result of the state mandate. The cost of these services is also fully funded under the state's Early Periodic Screening, Diagnosis, and Treatment (EPSDT) program.

Parameters and Guidelines for the Handicapped and Disabled Students Program specifies that only the following treatment services are reimbursable: individual therapy; collateral therapy and contacts; group therapy; day treatment; and the mental health portion of residential treatment in excess of California Department of Social Services payments for residential placement. *Parameters and Guidelines* for the Handicapped and Disabled Students II Program allows medication monitoring costs beginning in FY 2001-02.

As a result, ineligible treatment costs and related administrative costs and revenue offsets have been adjusted as follows:

	Fiscal Year		Total
	2000-01	2001-02	
Treatment costs:			
Medication monitoring	\$ (124,071)	\$ —	\$ (124,071)
Crisis intervention	(21,557)	(17,754)	(39,311)
Substance abuse	—	(295,289)	(295,289)
Therapeutic behavioral services	(271,460)	(80,187)	(351,647)
Total ineligible treatment costs	(417,088)	(393,230)	(810,338)
Administrative costs	(7,281)	(1,026)	(8,307)
Offsetting revenues:			
Short-Doyle/Medi-Cal Federal			
Financial Participation (FFP)	33,541	29,196	62,737
Audit adjustment	<u>\$ (390,828)</u>	<u>\$ (365,060)</u>	<u>\$ (755,908)</u>

Recommendation

We recommend that the county ensure costs claimed are eligible increased costs incurred as a result of the mandate.

County's Response

The county disagreed with the finding, stating that both medication monitoring and crisis intervention are included as eligible services under state regulations, and *Parameters and Guidelines* was not intended to exclude them from reimbursable costs.

SCO's Comment

The finding has been updated to allow medication support costs for FY 2001-02 due to the adoption of the *Parameters and Guidelines* for Handicapped and Disabled Students II Program.

Crisis intervention was not identified as an allowable activity in the *Parameters and Guidelines* for the Handicapped and Disabled Students II mandated cost program. Therefore, the finding and recommendation remain unchanged relative to crisis intervention costs.

**FINDING 2—
Cost of services
misstated**

The county claimed costs for services that did not agree with the costs incurred at county clinics and the actual payments made to contract providers, resulting in \$137,851 in understated costs for the audit period.

Parameters and Guidelines for the Handicapped and Disabled Students Program specifies that only actual increased costs incurred in the performance of the mandated activities and adequately documented are reimbursable.

As a result, costs claimed for services and related administrative costs and revenue offsets have been adjusted as follows:

	Fiscal Year		Total
	2000-01	2001-02	
Assessment and case management costs:			
County clinics	\$ —	\$ (12,899)	\$ (12,899)
Administrative costs	—	(750)	(750)
Offsetting revenues:			
Short-Doyle/Medi-Cal funds (FFP)	—	2,860	2,860
Total assessment and case management costs	—	(10,789)	(10,789)
Treatment costs:			
County clinics	—	(63,016)	(63,016)
Provider clinics	179,065	(25,763)	153,302
Subtotals	179,065	(88,779)	90,286
Administrative costs	—	(3,665)	(3,665)
Offsetting revenues:			
Short-Doyle/Medi-Cal funds (FFP)	(11,909)	73,928	62,019
Total treatment costs	167,156	(18,516)	148,640
Audit adjustment	\$ 167,156	\$ (29,305)	\$ 137,851

Recommendation

We recommend that the county ensure costs claimed are eligible increased costs incurred as a result of the mandate and are supported by appropriate documentation.

County's Response

The county concurred with the finding.

SCO's Comment

The finding and recommendation remain unchanged.

**FINDING 3—
Revenue offsets
understated**

The county inadvertently understated Medi-Cal reimbursements on its claims by \$263,533 for the audit period. The amount claimed was not supported by the county's Medi-Cal client tracking system.

Parameters and Guidelines for the Handicapped and Disabled Students Program specifies that reimbursements received by the county from any source as a result of the mandate must be deducted from its claims.

As a result, claimed revenue offsets have been adjusted as follows:

	Fiscal Year		Total
	2000-01	2001-02	
Treatment costs:			
Offsetting revenues:			
Short-Doyle/Medi-Cal funds (FFP)	\$ (263,087)	\$ (446)	\$ (263,533)

Recommendation

We recommend that the county ensure the claims reconcile with the supporting documents and all applicable reimbursements received are offset against claimed costs.

County's Response

The county concurred with the finding.

SCO's Comment

The finding and recommendation remain unchanged. In its response, the county referred to the audit adjustment as relating to TBS revenue, but the adjustment actually related to Short-Doyle/Medi-Cal revenue.

**FINDING 4—
EPSDT revenues not
deducted from
claimed costs**

The county did not report state matching funds received from the California Department of Mental Health under the Early Periodic Screening, Diagnosis, and Treatment (EPSDT) program totaling \$1,274,067 for the audit period. These funds partially reimburse the county for the cost of services provided to Medi-Cal clients.

Parameters and Guidelines for the Handicapped and Disabled Students Program specifies that any direct payments (categorical funds) received from the State that are specifically allocated to the program, and any other reimbursements received as a result of the mandate, must be deducted from the claims.

As a result, claimed revenue offsets have been adjusted as follows.

	Fiscal Year		Total
	2000-01	2001-02	
Treatment costs:			
Offsetting revenues:			
EPSDT funds	\$ (744,648)	\$ (529,419)	\$ (1,274,067)

Recommendation

We recommend that the county ensure all applicable reimbursements received are offset against costs claimed.

County's Response

The county concurred with the finding.

SCO's Comment

The finding and recommendation remain unchanged.

**Attachment—
County's Response to
Draft Audit Report**

MONTEREY COUNTY



DEPARTMENT OF HEALTH LEN FOSTER, Director

ADMINISTRATION
ANIMAL SERVICES
BEHAVIORAL HEALTH

EMERGENCY MEDICAL SERVICES
ENVIRONMENTAL HEALTH
FAMILY & COMMUNITY HEALTH

HEALTH PROMOTION
PRIMARY CARE
PUBLIC GUARDIAN

December 2, 2004

Jim Spano, Chief
Compliance Audits Bureau
State Controller's Office
Division of Audits
300 Capitol Mall, Suite 518
Sacramento, California 95814

Re: Response to State Controller's Draft Audit
Handicapped and Disabled Students Program

Dear Mr. Spano:

Per your letter dated November 2, 2004, enclosed please find the above-subject response to the draft audit of the legislatively mandated Handicapped and Disabled Students Program for Monterey County for the period July 1, 2000 through June 30, 2002.

Should you have any questions, please call me at (831) 755-4509.

Sincerely,

Wayne Clark
Director of Behavioral Health

Wayne Clark, PhD, Director of Behavioral Health
Behavioral Health Division, 1270 Natividad Road, Salinas CA 93906
(831) 755-4509

**MONTEREY COUNTY MENTAL HEALTH SERVICES
HANDICAPPED AND DISABLED STUDENTS PROGRAM
RESPONSES TO FINAL AUDIT REPORT**

July 1, 2000 through June 30, 2002

The State Controller's Office conducted a field audit of the Handicapped and Disabled Students state mandated program for the Monterey County Mental Health Division. This audit covered two fiscal years: 2000-01 and 2001-02. The total net disallowance from our 2000-01 claim stated in the draft audit report totaled \$1,231,407. The allowable claim per audit was \$2,162,422. The audit disallowance for 2001-02 was \$1,038,210. Thus the total disallowance from our actual claims was \$2,269,617. We wish to protest \$309,094 of that disallowance.

The County of Monterey appeals certain audit findings. It is hoped that upon review of the County's responses, the State Controller will issue a fair and equitable final audit report.

FINDING 2 – Ineligible treatment costs claimed (audited allowable claim less Monterey revised claims (Total = \$309,094)

- Treatment
 - \$269,783 is for Medication Monitoring (15/60)
 - \$ 39,311 is for Crisis Intervention (15/70)

SCO Recommendation: *We recommend that the county ensure costs claimed are eligible increased costs incurred as a result of the mandate.*

County Response:

Again, we appeal the disallowances of the following: 15/60, Medication Support Services and 15/70, Crisis Intervention. We will restate our justifications from an earlier audit response.

- **15/60 Medication Visits**

The California Code of Regulations in Section 60020(i) defines Mental Health services as such: "Mental Health services" means mental health assessments and the following services when delineated on an IEP in accordance with Section 7572(d) of the Government Code; psychotherapy as defined in Section 2903 of the Business and Professions Code provided to the pupil individually or in a group, collateral services, ***medication monitoring***, intensive day treatment, day rehabilitation, and case management. "Medication monitoring" is clearly defined in 60020(f) as including all medication support services including prescribing, administering, dispensing, and monitoring of psychiatric medications or biologicals necessary to alleviate the

symptoms of mental illness. The cost of the medications is not a covered service and has not been billed in the SB 90 claiming process.

By citing the above code sections that clearly mandate medication monitoring as a service provided under Chapter 26.5, the Parameters and Guidelines (Ps and Gs) includes medication monitoring by direct reference. The County appeals the total disallowance of \$269,783.

- **15/70 Crisis Intervention**

It was the intent of AB 3632 and later amendments not to include mental health services designed to respond to “psychiatric emergencies or other situations requiring an immediate response” (Article 2, section 60040(e)). This language was related primarily to inpatient hospitalization. The services currently in dispute were not provided as psychiatric emergency services leading to hospitalization or other emergency care but rather were provided in the normal course of mental health treatment. These services were provided as defined in the California Code of Regulations, Title 9, Section 543, and designed to alleviate problems, which, if left untreated, presented imminent threat to the pupil.

The State Controller’s auditor claimed that treatment costs associated with medication monitoring and crisis intervention are ineligible, stating that these costs are not “reimbursable under Program Guidelines.”

The Parameters and Guidelines, Summary of Mandates references California Code of Regulations, Division 9, Sections 60000-60200, Title 2, as well as Division 7, Title 1 of the Government Code commencing with Section 7570. The Parameters and Guidelines specifically cite Government Code sections 7571 and 7576 and their implementing regulations as governance. The “implementing regulations” for the provision of Chapter 25.6 of the Government Code are found in the California Code of Regulations, Title 2, Division 9, the Joint Regulations for Handicapped Children.

Section 7576 (amended in 1996) of the Government Code identifies the Department of Mental Health’s responsibility for the provision of Mental Health services and states, in part, that the Department of Mental Health “shall be responsible for the provision of mental health services as defined in regulations by the State Department of Mental Health, developed in connection with the State Department of Education, when required in the pupil’s individualized education plan”.

Additionally, the Parameters and Guidelines references Section 5651 of the Welfare and Institutions code assures, in part, that “the county shall provide the mental health services required by Chapter 26.5 (commencing with Section 7570) of Division 7 of Title 1 of the Government Code and will comply with all requirement of that chapter”.

Given the broad and general construction of the Parameters and Guidelines which were passed during the late 1980's and early 1990's, it's not surprising that medication monitoring and crisis intervention were not specifically mentioned as a reimbursable components. The Commission on State Mandates during this era consciously crafted Ps and Gs that were neither exhaustive nor complete. Rather, it was generally believed by Commission, State, local agencies and the State Controller, that the mandate would be implemented differently in virtually every county in the state. The Ps and Gs were meant to be an inclusive document, not exclusive.

In short, if the activity fell into the referenced mandate regulations or statutes, all parties understood that the associated costs would be eligible to claim and would be subject to State audit for reasonability.

Over time, the Ps and Gs have become much more detailed, lengthy, legalistic and exhaustive. Looking at the Ps and Gs from the earlier eras, they appear overly broad, general and almost quaint in their lack of detail. Neither format is inherently superior, however, the difference reflects the paradigm shift at the Commission on State Mandates over the past decade.

Since 1991, the State Controller, the Department of Mental Health and California counties have agreed that medication monitoring and crisis intervention were eligible cost components for the AB 3632 program. Every year, the State Controller has desk reviewed every AB 3632 claim individually and regularly consulted DMH for their advice in determining eligibility. Without fail, the State has consistently reimbursed counties for these two components, and did so fully realizing what was in the Ps and Gs for this program.

The County agrees that if the State Controller now believes that this service is ineligible because it is not specifically listed in the guidelines that the Parameters and Guidelines need to be amended accordingly. That's a reasonable prospective fix, however, it fails to address the fiscal years covered by this field audit.

In short, the State Controller is basing this significant disallowance on nothing more than an "assumption" on their part. It is not reasonable for the State Controller to disallow costs associated with these state mandated services when they are clearly included in the implementing regulations which are included in the Parameters and Guidelines for this program.

The County appeals the disallowance of \$ 39,311, which we feel should be an approved claim under the intent of AB 3632 and the California Code of Regulations and we do not believe the Parameters and Guidelines were meant to exclude these services.

FINDING 2 --- Cost of Services Misstated

- The audit adjusted \$137,851 for costs claimed for services and related administrative costs and revenue offsets. Monterey County concurs with finding 2.

FINDING 3 --- Revenue Offsets Understated

- Additional TBS revenue of \$263,533 should have been shown as offsets.

SCO Recommendation: We recommend that the county ensure the claims reconcile with the supporting documents and all applicable reimbursements received are offset against claimed costs.

County Response

We do not contest this finding. We accept the auditor's methodology.

FINDING 4 --- EPSDT Revenues Not Deducted from Claimed Costs

- Additional EPSDT revenue of \$1,274,067 should have been shown as offsets.

SCO Recommendation: We recommend that the county ensure all applicable reimbursements received are offset against costs claimed.

County Response: We do not contest this finding. We accept the auditor's methodology.

Summary of Appeal

In summary, we appeal the following disallowances, which should have been approved costs in our claims over the two years.

- \$269,783 for 15/60 – Medication Monitoring
- \$ 39,311 for 15/70 – Crisis Intervention as part of ordinary mental health services

We feel that the total of \$309,094 in claims should not be disallowed, as they are supported by the California Code of Regulations. We will plan to file an incorrect reduction claim with the Commission on State Mandates if the State Controller does not make the necessary and appropriate adjustments to their draft findings.

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, California 94250-5874**

<http://www.sco.ca.gov>